

CLIFFS ERIE L.L.C.

**2011
ANNUAL REPORT**

**Cliffs Erie L.L.C.
2011 Annual Report
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Cliffs Erie L.L.C.

Introduction

On October 30, 2001, all of LTV Steel Mining Company's (LTVSMC) mining related property was transferred to Cliffs Erie L.L.C. (CE).

CE has continued to aggressively carry out reclamation activities on former LTVSMC minelands on a timetable that allows development and reuse of the site to be fully explored as stated in the CE Closure Plan dated May 23, 2002.

The Closure Plan outline of reclamation will be updated as required utilizing the **Annual Report** to document **completed and scheduled activities**.

Actual changes to the Closure Plan **schedule, plus hydrology and brownfield information** are detailed in the annual **Closure Plan Update Letter (Appendix A)**. All participating Agencies will receive the Report and Letter by January 31 of each year.

2011 Annual Report Overview

CE's 2011 tailings basin and mine reclamation activities/inspections are noted in the following Area Summaries. Reclamation details are specified in the Mineland Reclamation Activities Section of this report and displayed on the 2011 computer generated Annual Report Map, which is keyed to reclamation work done prior to and during 2011.

2011 reclamation activities are addressed specifically in this document. Planned 2012 reclamation (if required) includes erosion repairs and seeding in mine areas and on the tailings basin, plus dust control on the basin interior if water pool levels continue to drop.

PolyMet is in the process of purchasing the majority of the CE Hoyt Lakes plant site and tailings basin and has continued to actively pursue environmental review and permitting during 2011 for its proposed mining project. **Although PolyMet may schedule and fund required reclamation work in its control areas, CE continues to remain the responsible organization for completion of the projects under the current Permit to Mine.** Specifics regarding PolyMet's activities are included in the Closure Plan Update Letter Brownfield section.

Tailings Basin Summary

Location	Date Initiated	Status
Land Farm – Basin 2W	2008	Vegetation doing well in most locations; legumes progressing slowly.
Basins 1 & 2 Interiors	Ongoing	Vegetation exhibits excellent density and diversity in Basins 1E, 2E and 2W. Dust control planting on beach areas in 2E completed September 2011.
Basins 1 & 2 Backslopes and Roadsides	Ongoing	Most slope areas display excellent density and diversity in Basins 1E, 2E and 2W. Minor 2011 erosion repairs were made along roadways, benches and slopes utilizing vegetation and rock armoring. Vegetative stabilization was completed on construction sites along roadways.

- **For specific information on all current or ongoing Reclamation project details, see the Mineland Reclamation Activities section of this report. For details on CE's 5/16/2011 Tailings Basin Inspection, see the report in Appendix "B."**
- Anticipated 2012 reclamation includes maintenance of established vegetation, erosion repair/seeding and dust control plantings on beach areas if required.
- There were no incidents involving the dams where emergency maintenance was required, nor were any major repairs necessary during the year.
- Well sampling data reviews relative to the safety of the tailings dams will be provided to the state agencies in a separate report.
- No dust lift off problems occurred on the basin during 2011 due to widespread vegetation establishment. Any dust control or maintenance requirements in 2012 will be handled with mulching, vegetation, or rip-rap.

Block 4 Summary (Areas 2 West, 2 East and 3)

Location	Date Initiated	Status
Stockpiles 9005 & 2005	Ongoing	Biosolid deposition on till material; good grass cover on 9005, spotty on 2005; poor legume density on both stockpiles.
General	Ongoing	Clean-up of ties, other wood, electrical debris, and railroad cars.

- **For specific information on all current or ongoing Reclamation project details, see the Mineland Reclamation Activities section of this report. For details on CE's 6/8/2011 Inspection, see the report in Appendix "B."**
- 2012 work includes:
 - Erosion repairs and normal maintenance as required.
 - Continued clean-up of electrical and miscellaneous debris and scrapping out railroad cars.
 - Pellet Stockpile Area: Shipping stockpiled pellet chips and concentrate.
 - Grass seeding on the 2005 stockpile will be accomplished by mixing a seed mix with the biosolids and distributing this mix on areas requiring additional vegetative cover.

Area 5 Summary

- **For specific information on all current or ongoing Reclamation project details, see the Mineland Reclamation Activities section of this report. For details on CE's 6/10/2011 Inspection, see the report in Appendix "B."**
- 2012 work includes erosion repairs and normal maintenance as required.

Area 8 Summary

Location	Date Initiated	Status
Environmental Ditch and WS-001	Ongoing	Normal maintenance to keep channel open and functioning properly.
Wetland Bank	Spring, 2011	2011 work included establishment of an upland buffer in June. All wetland areas continue to improve despite an extremely dry growing season.
Seeps	Summer, fall 2011	Maintenance included seeding and rip-rap in construction areas, erosion repairs and installation of a heat trace cable in sections of the existing water lines.
General	Ongoing	Reclamation crew worked on clean-up of metal, wood and electrical debris; beaver and muskrat control and road stabilization/erosion control.

- **For specific information on all current or ongoing project details, see the Mineland Reclamation Activities section of this report. For details on CE's 6/9/2011 Inspection, see the report in Appendix "B."**
- Minor maintenance work, including general clean-up, erosion control, clearing debris out of weirs and channels of the wetland treatment cells and beaver control is expected to continue in 2012.
- In addition to normal maintenance, pit water pumping continued during the year in order to keep the elevation at or lower than 1475 feet.

Taconite Harbor Summary

- 2011 activities at Taconite Harbor included:
 - Woody trees and shrubs growing on the closed ash landfill were treated with herbicides.
 - Ash landfill leachate was transported to and treated at the Grand Marais wastewater facility.
 - Normal grounds and facility maintenance continued.
- Scheduled 2012 work includes inspections, normal maintenance and continued transport of leachate to the Grand Marais wastewater facility.

2011 Mineland Reclamation Activities

Reclamation activities at CE during 2011 in compliance with the Minnesota Mineland Reclamation Law and regulations are reported as follows:

1. LOCATION: Tailings Basin Backslopes and Roadsides
DATE: July 2011
ACRES: 2
TYPE: Maintenance - Reclamation activities at the tailings basin included repair, seeding, and rip-rapping of minor washout areas on Basins 2W, 2E and 1E.

CONSTRUCTION METHODS: Eroded areas on the east side of Cell 2W at the interface with Cell 2E were fixed by hauling rock and moving eroded tailings into the washout areas. The rock was moved from an existing rock stockpile on the north end of Cell 1E. An area on the north side of Cell 2E consisting of a bench containing rock and tails was repaired by regrading. This work was done by Hoover Construction during the time of other on-site Consent Decree related construction activities in the summer of 2011.

Areas impacted by burying water pipelines along the bottom of Basins 2W and 1E for Consent Decree requirements were graded using a small crawler tractor in preparation for seeding.

VEGETATION METHODS: The seed mix was hand seeded on the pipeline areas along with a fertilizer (18-46-0) application of 350 lbs/acre.

Seed Mixture: DOT #250

<u>Species</u>	<u>Rate</u> <u>(%)</u>
Smooth brome	14
Kentucky bluegrass	29
Canada bluegrass	14
Switchgrass	3
Wheatgrass	4
Ryegrass	21
Timothy	3
Redtop	3
Alfalfa	6
White clover	3
TOTAL	100

EXTENSION: The treated areas will be inspected during 2012 to confirm vegetation establishment and vigor.

2. LOCATION: Tailings Basin Beach Areas
DATE: September 2011
ACRES: 57
TYPE: Primary reclamation. Beach areas on Basin 2E became available during fall 2011 due to receding water elevations.

CONSTRUCTION METHODS:

Chisel plowing: In order to mitigate high concentrations of soluble salts in the top layer of tailings, interior areas were chisel plowed to thoroughly mix the top 12 inches of fine tailings.

Fertilizer: 350lbs/acre 18-46-0 fertilizer were broadcast over the treatment areas and disced in to a depth of approximately 6 inches.

VEGETATION METHODS:Seed Mixture:

<u>Species</u>	<u>Rate (lbs/Acre)</u>
Buckwheat	10
Rye grain	20
Sweet clover	10
TOTAL lbs/Acre	40

The seed mix was broadcast seeded on the treatment areas, closely followed by a cultipacker.

Mulching: Approximately 2 tons/acre of hay was blown onto the treated areas and anchored with a slotted disc.

EXTENSION: Interior areas will be inspected in 2012 to confirm vegetation establishment and dust control effectiveness.

3. LOCATION: Knox Station/Area 2 Shops Project - Tailings Basin #2 Land Treatment Facility (SW - 625)
DATE: 2011
ACRES: 102 (58 acres contaminated soils; 32 acres balance of permit area; 12 acres staging area)

EXTENSION: A site inspection on 5/16/2011 (see Appendix B) revealed that vegetative stabilization in the area continues to improve.

4. LOCATION: Dunka Wetland Bank
DATE: June, July 2011
ACRES: Approximately 16.6. When released by the U.S. Army Corps of Engineers (USACE) and the MN Department of Natural Resources (MDNR), all available credits will be dedicated to Northshore Mining (NSM) for wetland impacts related to mining activities.
TYPE: Wetland replacement credits

VEGETATION METHODS: Native grass seeding, fertilizer application and mulching (where required) started on 6/7/2011 and was completed on 6/14/2011 to establish an upland buffer averaging 50 feet in width around the wetland bank perimeter.

To view specific details, a copy of the Dunka Wetland Bank Upland Buffer Program memo dated June 15, 2011 is included in Appendix "B" of this report.

Herbicide treatment to control scattered areas of Canada thistle was accomplished during July 2011.

EXTENSION: CE inspections of the Dunka Wetland Bank during fall 2011 confirmed that drought had resulted in poor native grass establishment in the upland buffer. 2012 plans include planting native trees (Norway pine and Tamarack) to improve vegetation densities in the upland buffer. Follow-up on controlling Canada thistle will be required.

5. LOCATION: Embarrass Wetland Bank
DATE: 2011
ACRES: 515
TYPE: Wetland replacement credits

CONSTRUCTION METHODS AND VEGETATION METHODS:

No modifications to the Embarrass Wetland Bank occurred in 2011.

- Cliffs' balance of credits in the bank at the end of 2011 is summarized in the spreadsheet titled, Embarrass Wetland Bank Accounting, located in Appendix B. Note: Cliffs Erie is expecting a letter from the US Army Corps of Engineers which will document the actual 2011 wetland impacts at 0.41 acres in addition to the 0.81 acres used by Northshore Mining.
- The Bank land donation offer to MDNR Wildlife Division is ongoing.
- The Bank site continued to receive heavy use by waterfowl, shore birds, and water dependant animals during the year.

6. LOCATION: Plant-wide Mining Areas
DATE: 2011
TYPE: Fencing inspections and repairs
EXTENSION: CE's pit fencing project was completed in November 2004. No inspections were done in 2011.

7. LOCATION: Taconite Harbor
DATE: 2011
TYPE: Maintenance and Reclamation
EXTENSION: Geotechnical instruments have been monitored and slope stability was assessed; there was no movement of the landfill detected. Leachate from the ash landfill continues to be trucked to Grand Marais to be treated in its wastewater treatment facility. The permit for this facility was re-issued with no significant changes from the previous permit.

All woody plants on the closed ash landfill were treated with herbicides during the growing season and will be inspected to determine success in 2012.

8. LOCATION: Mining Area 8 (Dunka)
DATE: 2011
ACRES: 1
TYPE: Maintenance and Reclamation

RECLAMATION/CONSTRUCTION METHODS: Grading and rip-rapping were accomplished on approximately 1 acre on the underground water line construction site (adjacent to the seep areas) utilizing a backhoe and small crawler tractor.

VEGETATION METHODS: CE standard seed mix was hydrospread along the pipeline construction area along with 400 lbs/acre of 19-19-19 fertilizer and 1000 lbs/acre newsprint

hydromulch. This procedure was done in early June 2011 and will be monitored in 2012 to confirm vegetation establishment and site stability.

Seed Mixture:

<u>Species</u>	<u>Rate</u> <u>Lbs/acre</u>
Creeping red fescue	10
Smooth brome	10
Timothy	5
Oats (grain)	15
Sweet clover	5
Cicer milkvetch	10
White Dutch clover	5
TOTAL lbs/Acre	60

EXTENSION: Weirs were adjusted throughout the 007 wetland to allow greater distribution of flow throughout the wetland (October 2011)

A stormwater construction permit (C00030662) for on-site construction activities necessary to install the water pumping system in 2010 under the consent decree was closed in November 2011. A necessary modification to the pumping system included the installation of a heat trace cable in key sections of the pipeline to prevent underground water lines from freezing (fall of 2011).

Water levels in the Equalization Basin remained low in 2011 and the basin did not require emptying.

Vegetation management (brush cutting or herbicide treatment) during the period included inspections of 2010 programs on stockpiles 8013 and 8018. No additional vegetation management was required in 2011.

Pit dewatering continued throughout the year, with the water elevation standing at 1461.5 feet in November 2011.

Routine maintenance was performed to remove debris from weirs and wetland treatment system channels. Beaver and muskrat control, road stabilization, erosion control, blocking all terrain vehicle access points with boulders and berm placement to protect reclaimed mine landforms were done as required.

9. LOCATION: Block 4 – Miscellaneous Reclamation

DATE: 2011

TYPE: Clean-up

EXTENSION: CE's reclamation crew cleaned up electrical and miscellaneous debris scattered throughout Block 4. Railroad ties were removed from the Balsam Marshalling Yard and EMCo 2. A contractor cut up approximately 150 rail cars for scrap metal.

2012 plans include continued clean-up of scattered debris in Block 4 and maintenance of all vegetative reclamation sites (to ensure stability). Demolition of railroad cars for scrap will continue.

Financial Statement

Cliffs Erie L.L.C. financial information (Cleveland Cliffs 2010 Annual Report) can be found on the Internet: www.cliffsnaturalresources.com. Click on Home/Investor Relations/Financial Information/Annual Reports



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APPENDIX A

January 31, 2012

Ms. Anne Jagunich
 Minnesota Department of Natural Resources
 Division of Lands and Minerals
 1525 Third Avenue East
 Hibbing, MN 55746

RE: Section 6.0 Closure Plan Update Letter – 2011

Dear Ms. Jagunich:

This ninth annual Closure Plan Update Letter supplements Cliffs Erie's (CE) Closure Plan dated May 23, 2002, detailing proposed changes and keeping the Agencies informed on current and potential developments on the CE mine property. CE's Closure Plan was formally approved by the State of Minnesota on April 16, 2004. There are no new Closure Plan Appendices or items of correspondence relating to Areas of Concern (AOC) in 2011.

1. HYDROLOGY

a. Pit Water Quality

2011 pit water quality was monitored in mining areas that were not overflowing as specified in CE's Closure Plan Appendix IV-1 (see 2011 Annual Report Appendix C).

Overflowing pits were reported in the monthly Discharge Monitoring Reports (DMR) sent to the MPCA.

b. Pit Outlets

Areas 3 and 5. No change. Area 3 (water elevation 1587 feet) is outflowing naturally under the Dunka Road (NE ¼ - SE ¼ Section 14-59-14) and discharging into Wyman Creek. Area 5 NW (water elevation 1666.4 feet) outflows naturally in the SW ¼ - NW ¼ Section 1-59-14 via Spring Mine Creek into the Embarrass River. Area 5 SW (water elevation 1599.9 feet) seeps through a natural wetland in the NE ¼ - SE ¼ Section 11-59-14 forming the headwaters of Wyman Creek.

Areas 2 East and 2 West. Pit 2W is filling with water at a steady rate. Area 2E (water elevation 1516.7 feet) rose slightly more than 1 foot since the last reporting period. Area 2W (water elevation currently at 1472.0 feet) is rising faster than 2E and is expected to ultimately outflow naturally into Second Creek. The pit exit site, at approximately 1488 ft.-msl, is presently being reviewed and planning for outlet construction will begin in 2012.

Area 8. Dewatering of the Dunka pit continued in 2011 as an alternative to construction of an overflow structure in the north end of the pit. The present plans are to maintain the pit water elevation below 1475 feet utilizing pit dewatering (Permit No. 73-5186). Pumping for the year began on April 13, 2011 and will continue all winter if feasible. Total volume pumped during the year was 1.13 billion gallons. Water elevation readings were taken throughout the ice-free season and stood at 1461.5 feet in November when measurements were discontinued until spring 2012.

a. **Tailings Basin**

Tailings basin hydrology studies continue. Piezometer and inclinometer well data were collected during April and October 2011, monitoring stability parameters for the CE/PolyMet tailings basin. These data were reviewed by Mr. Tom Radue P.E., at Barr Engineering for final reporting purposes.

2. **RECLAMATION LIABILITY**

a. **Miscellaneous Reclamation Areas**

There are scattered mine related facilities and/or landforms on CE's property where reclamation has not been completed. Examples of these are the mainline railroad, the Murphy City maintenance site and the Taconite Harbor dock facilities where CE continues to explore current and potential future alternate uses. Discussions with interested parties are ongoing. Reclamation will be immediately addressed on any of these areas when these situations no longer exist.

b. **Liability Release Project**

No potential release sites were considered in 2011. After a discussion with the MN DNR, CE will propose a block of stockpile lands in Area 2 East (Block 4) for release in 2012.

c. **Consent Decree**

A Consent Decree between CE and the MPCA was finalized on April 6, 2010. The Consent Decree addressed water quality from certain NPDES Permit Outfalls, and required various actions by CE to improve discharged water quality. The following actions are being reported as additions to CE's approved Closure Plan:

1. In Area 8 (Dunka), a bench scale study for sulfate reduction in Birch Lake was completed and submitted to the MPCA for review. See the 2011 Annual Report, Mineland Reclamation Activities Section, Number 8 — Mining Area 8 for details on seeding.
2. In Block 4 (Outfall from Pit 3 SD012), a Pit 3 temperature and arsenic level (in Wyman Creek) study was completed and submitted to the MPCA for review.
3. In and adjacent to the Tailings Basin, as part of the Consent Decree between the MPCA and Cliffs Erie, short term mitigations were required for NPDES permitted outfalls at SD004, SD006 and SD026.

Pumpback systems were installed at SD004 and SD006 to eliminate the discharges from these outfalls. This included reinstalling power poles, wiring and transformers to power the systems constructed at these areas. The system at SD004 consisted of installation of a concrete vault to collect water, a single pump, electrical controls, panels and associated alarms. This water is pumped via a buried line to a ponded area upstream of SD006. The system at SD006 consists of dual pumps, controls, panels and alarms. The water from the ponded area prior to the original discharge is now pumped via a buried pipeline to the top of Cell 2W where it then gravity discharges via pipeline to Cell 1E. These systems began operation on July 15, 2011.

Areas impacted on the tailings basin by the construction activities were seeded by Hoover Construction with MN Department of Transportation seed mix 250 (see Annual Report Section on 2011 Mineland Reclamation Activities Item No. 1)

To impound water seeping from Cell 1E at the foot of the railroad berm on the south side of this cell, a collection system consisting of a rock dam faced with clay was constructed. Previously, this seepage ultimately was discharging to SD026 and Second Creek further downstream. The goal was to impound and collect most of the seepage and reroute it back to Cell 1E. The dam, buried electrical line, dual pumps, controls and piping were installed and became operable on July 15, 2011

4. As part of the Consent Decree requirements, other field investigation activities were continued and completed in 2011. These field activities took place at or near Area 5, SD033, the Tailings Basin and the associated receiving waters of these areas. The results of the field studies were compiled and submitted in reports to the MPCA during September 2011.

Bench scale testing also was conducted on-site during 2011 as required by the Consent Decree. This testing consisted of:

- Collection of surface water from SD033 at Area 5 and groundwater from GW006 at the tailings basin
- Pumping of the SD033 and GW006 water through a permeable reactive barrier bench scale system
- Pumping of the SD033 water through a floating wetland bench scale system
- Analysis of the input and output water for the systems for sulfate removal and removal of other parameters of concern

The results were submitted to the MPCA in various reports for Area 5 and the Tailings Basin during September 2011.

3. BROWNFIELD DEVELOPMENTS

CE continues to pursue its stated objective to develop the plantsite area for future mineral processing/industrial sites. A summary of current activity follows:

a. Stone by Design

In 2011, Mesabi Natural Stone was sold to Stone by Design who continues to rent the site of former 2W reporting area and harvest various types of stone on specific areas within the Permit to Mine boundaries.

b. **Pellet Handling, Rail Transport, and Dock/Loading Reactivation Project**

The remaining pellet chips in the pellet yard remained on site in 2011. CE hopes to ship this product in 2012, but plans have not been finalized.

Long-term reactivation plans for the railroad and dock continued on hold. A major vegetation control program targeting the ballast and right-of-way sections of the mainline railroad, passing tracks and sidings is scheduled for summer, 2012.

c. **Block 4 (Areas 2W, 2E, and 3)**

General debris clean-up continued during the year concentrating on railroad tie reclamation at the Balsam Marshalling Yard and EMCo 2, plus demolition of approximately 150 railroad cars.

d. **Excelsior Energy**

Excelsior had identified a tentative second stage plantsite area on CE property in Sections 32 and 33, T.59N.; R.14W. Their Purchase Option expired on June 20, 2011 and was not renewed.

e. **PolyMet**

PolyMet continued to be actively involved in environmental review and permitting of the NorthMet Project during 2011. The state and federal government agencies responsible for the Environmental Impact Statement (EIS) continued with the EIS process by preparing a Supplemental Draft EIS (SDEIS) that will incorporate the proposed US Forest Service (USFS) land exchange. The USFS joined the US Army Corps of Engineers (USACE) as a federal co-lead agency through the completion of the EIS process. In addition, the U.S. Environmental Protection Agency (EPA) is a cooperating agency. The Minnesota Department of Natural Resources (DNR) remains the state co-lead agency.

PolyMet installed a water well and nearby piezometer well at the northwest corner of Cell 2W during November and December 2011.

Voluntary Investigation and Cleanup – Areas of Concern (AOC)

No VIC actions were implemented during 2011.

Land Treatment Facility

Cliffs Erie LLC has received a Permit (SW-625) from the MPCA to locate and operate a Land Treatment Facility within the Hoyt Lakes Tailings Basin 2 West. The Land Treatment Facility is being utilized to land farm petroleum (i.e., diesel fuel) contaminated soils excavated from the Knox Train Fueling Station and Area 2 Shops Train Fueling Station leak sites. Use of the Hoyt Lakes Tailings Basin is being coordinated with PolyMet. (See Annual Report – Mineland Reclamation Activities section, item 3, for up to date vegetative reclamation details on the Knox/Area 2 Shops Project). For technical details on the project, see No. 4, page 6 of this letter.

Industrial Waste Landfill SW-619

A new facility permit was issued on August 26, 2010 for the Industrial Waste Landfill SW-619. The new permit required the submittal of a Work Plan to assess the stability of the groundwater contaminant plume that includes chlorinated compounds and arsenic above the landfill intervention limits. The Work Plan was submitted to the MPCA on October 1, 2010 and after some revisions was approved by the MPCA on May 19, 2011. The Work Plan included installation of 11 temporary wells to measure groundwater flow directions, and collection of samples for dissolved arsenic and VOC concentrations. The results of the temporary well sampling were transmitted to the MPCA with the recommendation for the location of the new permanent downgradient groundwater monitoring well. The MPCA approved the location of the new well on August 24, 2011. The well was sampled on October 11 and 25, 2011. There were no detections of arsenic or VOCs above the landfill intervention limits (ILs). The seven gas vents were sampled three times for volatile organic compound emissions, which includes the chlorinated compounds detected in the groundwater.

A Work Plan Implementation Report will be submitted to the MPCA in January 2012.

No waste was disposed at the Landfill in 2011.

Stone Harvesting

Up North Stone Company continues to use a staging area on the SE corner of tailings basin 1 East (SE-SW 10-59-14) and has been intermittently picking stone from PolyMet and State of Minnesota leases.

Other

For tailings basin reclamation details, see the Mineland Reclamation Activities Section Items 1, 2 and 3 on the 2011 Annual Report.

f. Minnesota Power (MP)

No easement negotiations between CE and MP occurred during 2011. Current logging access is not a high priority because most of MP's mature timber on CE property was recently logged by Sappi Fine Paper. MP has a 60 year timber deed on CE, PolyMet, and Mesabi Nugget property.

g. Twin Metals Minnesota L.L.C. (TMM)

During 2008 Duluth Metals Corporation (DMC), a subsidiary of Duluth Metals Limited, entered into an option agreement with Cliffs Erie LLC (CE) to purchase the Dunka Mine Area brownfield site (Dunka Property) as part of their Nokomis Project. Duluth Metals Limited (the Company) is a Canadian advanced stage mineral exploration Company committed to acquiring, exploring and developing copper, nickel and platinum group metal (PGM) deposits. On July 21, 2010 Duluth Metals Limited announced it signed a formal definitive participation agreement with Antofagasta plc on a joint venture development of the Nokomis Project, including the Dunka Property, under the new joint venture company Twin Metals Minnesota LLC (TMM). The joint venture provides the execution and financing capabilities required to aggressively advance the development project towards production.

4. CLIFFS ERIE LAND TREATMENT FACILITY (SW-625)

CE Land Treatment Facility SW-625 was permitted specifically for treatment of petroleum impacted soils excavated from the Knox Train Fueling Station and the Area 2 Shops Train Fueling Station. The permit was re-issued on November 22, 2011 with an expiration date of November 21, 2016.

A total of 90 acres was permitted for composting petroleum-contaminated soils, with an additional 12 acres designated as a staging area. Contaminated soils were thin spread and disced into the tailings basin soil in 2007 and early 2008. The perimeters of the Knox soil treatment area, the Area 2 Shops treatment area, and the unused portion of the treatment area were demarked with fence posts every 100 feet.

In 2011 the facility was sampled on June 20-22, August 22-23, and October 17-19. Because the facility has been seeded, no additional tilling will be required. The DRO and GRO levels have dropped close to the closure levels of 10 parts per million. The results were reported to the MPCA. Additional sampling will occur in June, August, and October 2012.

For vegetative reclamation details, see the 2011 Annual Report Mineland Reclamation Activities section, Number 3.

5. CLIFFS ERIE AREAS OF CONCERN (AOC) SUMMARY

Cliffs Erie LLC retains the liability for thirteen (13) Areas of Concern (AOC) on the former LTV property in Hoyt Lakes. Of the thirteen (13) AOCs, eight (8) were still active as of the AOC Memo dated February 24, 2011. Below is a summary of the status of the eight AOCs that were active as of February 24, 2011:

AOCs Associated with the Rail Corridor from Hoyt lakes to Taconite Harbor

These AOCs have had no work done on them because at this time the rail corridor is still considered active.

- AOC 15: Railroad Storage Area
- AOC 45: Pellet Storage Area and Loadout
- AOC 57: Murphy City
- AOC 58: Rail Lubricators

AOCs with Pending MPCA Approvals

These AOCs have had a request for No Further Action (NFA) submitted to the MPCA. Issuance of the NFA has not been received as of the date of this memo.

- AOC 18: Area 2 Super Pocket and AOC 17 Area 2 Truck Fueling: A Phase II Investigation Report dated November 2008 was submitted to the MPCA. The report concerned AOC 16, AOC 17, and AOC 18. The MPCA sent a No Further Action Letter for AOC 16 dated April 28, 2009. The MPCA has indicated that they will send out a No Further Action Letter that will cover AOC 18. AOC 17 only included petroleum releases and has been closed through the petroleum remediation program (PRP). A VIC closure for this site is still pending a final review by the VIC program staff.

- AOC 39: Knox Railroad Fueling Station: An excavation was conducted during the summer of 2007. The petroleum impacted soils were transported to a land treatment facility constructed on the tailings basin. Soil samples are collected from the land treated soils three times per year. Once the soil results determination are below the MPCA Action Level, then this AOC will be eligible for a No Further Action. The 2011 sampling of the soils at the land treatment facility indicated a continued decrease in the petroleum concentrations for the treated soils. Sampling will continue in 2012.

AOC Maintained as part of a NPDES Permit

- AOC 56: Coal Ash Landfill – Taconite Harbor: This AOC is part of a NPDES Permit and as such is in accordance with the permit. There has been no site investigation work conducted on this AOC.

6. BIOSOLIDS

Deposition of biosolids by the cities of Aurora and Hoyt Lakes continued in 2011. The cities' reporting year runs from September 2010 through August 2011. Volumes of biosolids deposited on CE stockpiles for the reporting year were:

- Stockpile 9005 –5.45 dry tons on 15 acres.
- Stockpile 2005 –32.76 dry tons on 12 acres.

The program is detailed in the Aurora and Hoyt Lakes' Biosolids Reports (sent to the MPCA and MNDNR).

If you have any questions or require additional information on either this Closure Plan Update Letter or the 2011 Annual Report, please contact me at (218) 225-3127, Ext. 4223.

Sincerely yours,



Craig Hartmann
Area Manager, Facilities

CC: William Boor
Richard Clark
Scott Gischia
Gabe Johnson
Jim Korpi
Robert Lee
Matt Lenhard
Kevin Pylka
Dennis Schubbe
Dave Skolasinski
Daryl Wierzbinski